

CHARLIE BAKER
Governor



KARYN POLITO
Lt. Governor

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CONTACT

Sarah Finlaw

sarah.finlaw@MassMail.State.MA.US



Governor Baker Files Fiscal Year 2021 Budget Proposal

\$44.6 billion balanced budget fully funds the first year of the Student Opportunity Act and provides significant investments in transportation and workforce development

BOSTON — The Baker-Polito Administration today filed its Fiscal Year 2021 (FY21) budget recommendation, a \$44.6 billion balanced and fiscally-responsible proposal which fully funds the first year of the historic Student Opportunity Act, increases funding for the MBTA and the Commonwealth's transportation system and helps train 20,000 more workers in skilled trades and technical fields by transforming vocational high schools into Career Technical Institutes.

"Today, we are offering a budget that balances fiscal responsibility with key investments to support our residents ranging from education reform to the Commonwealth's transportation system," **said Governor Charlie Baker**. "This balanced budget will result in the rainy day fund reaching a historic balance of over \$4 billion and includes a new tax credit to support individuals with disabilities seeking employment. Our plan fully funds the first year of the Student Opportunity Act and will make critical investments in the MBTA, our transportation system and workforce development to keep the Commonwealth on track to support our booming economy. We look forward to working with the Legislature in the coming months."

"Our budget proposal supports every city and town in Massachusetts and helps ensure our municipal partners can continue to deliver high-quality services that meet the needs of residents," **said Lieutenant Governor Karyn Polito**. "This recommendation helps combat the ongoing opioid epidemic, provides resources for our first responders and law enforcement, strengthens sexual assault and domestic violence prevention and response efforts, and helps ensure public safety throughout the Commonwealth."

"With tax revenue growth continuing to exceed spending growth, this budget maintains structural balance and helps strengthen the Stabilization Fund," **said Administration and Finance Secretary**

Michael J. Heffernan. “Thanks to a strong economy and bipartisan fiscal discipline, we are continuing to improve the Commonwealth’s long-term fiscal outlook while investing in critical areas including education, transportation, workforce development, housing, the environment, local municipalities, and healthcare.”

Fiscal Overview

The FY21 budget, known as House 2, is based on the \$31.151 billion consensus tax revenue estimate which anticipates a 2.8% growth in total tax collections over revised Fiscal Year 2020 (FY20) tax estimates. House 2 recommends a total of \$44.6 billion in gross spending, excluding the Medical Assistance Trust Fund transfer, approximately 2.3% growth over FY20.

House 2 includes a \$310 million increase to the Stabilization Fund, which as of January 2020, has an all-time high balance of \$3.46 billion. The Administration has worked closely with the Legislature to increase the balance of the Stabilization Fund threefold since 2015. This significant increase is an example of responsible governance and will help provide a buffer for essential government services in the event of a future recession or economic downturn.

This recommendation includes the Part B individual income tax rate decreasing to 5% effective January 1, 2020. Based on actual and projected collections, personal income tax bills have cumulatively been reduced by a total of approximately \$2.7 billion since January 1, 2015.

The fiscally-responsible plan makes investments across key areas including:

Disability Tax Credit

In honor of the 30th Anniversary of the landmark Americans with Disabilities Act, the budget recommends a new Disability Employment Tax Credit to support businesses that hire individuals with disabilities. It proposes increased funding for the Massachusetts Commission for the Deaf and Hard of Hearing (MCDHH) to expand access to American Sign Language (ASL) interpreters. MCDHH will work with higher education institutions that offer ASL to increase the interpreter workforce and develop a Communication Access Realtime Translation (CART) training and mentorship program.

This credit would be up to \$2,000 per employee who works a minimum of 18 consecutive months, and will further our commitment to improving employment opportunities and economic security for individuals with disabilities.

Early Education

House 2 continues the Baker-Polito Administration’s unprecedented investment in state-subsidized early childhood education with a \$55.1 million (8%) increase in funding above FY20 spending for the Department of Early Education and Care (EEC), for a total investment of \$761.9 million. Since Fiscal Year 2015 (FY15), EEC funding has increased by over \$230 million (44%), helping to support the healthy growth and development of all children by providing high-quality programs and resources for families and communities.

The investment provides an additional \$20.4 million to fund an increase of 150 Department of Children and Families (DCF) child care vouchers per month in FY21, as well as a \$19.3 million increase in Department of Transitional Assistance (DTA) child care vouchers. Additionally, House 2 continues support for income eligible childcare – the waitlist for this service has decreased by approximately 40% since January 2015.

Investing in Students: Ch. 70 & the Student Opportunity Act

Last year, alongside its FY20 budget proposal, the Administration filed legislation to increase investments in local school districts and ensure every child, regardless of zip code, has access to a high-quality education. As a result of that effort, and in partnership with the Legislature, Governor Baker signed the Student Opportunity Act into law in November 2019.

This FY21 budget fully funds the first year of the historic Student Opportunity Act with a total of \$355 million in new spending related to this landmark education legislation. This includes \$303.5 million in increased funding for Chapter 70 education aid to local cities, towns, and regional school districts as well as \$23.2 million for additional charter school tuition reimbursement, \$17.3 million in additional support for special education circuit breaker reimbursement for cities and towns, \$10 million for the new Twenty-First Century Education Trust fund, which will supplement \$12.6 million for Targeted Assistance to close achievement gaps in low-performing schools, and \$1 million for data support.

Workforce Development: Career Technical Institutes

The proposal includes \$8.4 million in funding to transform fifteen vocational high schools into Career Technical Institutes and train 20,000 workers over four years in skilled trades and technical fields to address the persistent skills gap. This funding will be combined with capital dollars and other sources of funding for a total investment of approximately \$15 million.

These institutes will operate three shifts per day including the regular school day for current vocational school students, after school for traditional high school students and during the evening for adult students.

Building a Safe, Reliable Transportation System

To continue to deliver a safe, reliable, and effective transportation system, the budget provides a total increase of \$216.7 million for transportation entities throughout the Commonwealth. This includes \$135 million in new support for the MBTA, funded in part by increasing the existing per-trip assessment for Transportation Network Company (TNC) rides to \$1. The proposal dedicates 70 cents of this sustainable \$1 assessment to the Commonwealth for transportation and the MBTA, providing approximately \$73 million in this budget for the T. House 2 provides 30 cents of the assessment to local municipalities, which will triple the amount that local cities and towns receive from TNC rides.

This funding will build upon efforts already underway to hire additional staff and contractors, expedite the completion of critical capital projects, enable proactive inspections to detect and address safety and reliability issues before they impact service, and implement enhanced maintenance procedures. It will also complement the latest five-year capital spending plan, which calls for the T to spend \$8.2 billion for FY20-24.

The FY21 budget recommendation provides a \$77.6 million increase for the Massachusetts Department of Transportation (MassDOT), including increased funding for snow and ice operations. It recommends \$8.6 million for RMV-related initiatives for safety, operations and new employees and reforms at the Merit Rating Board (MRB).

House 2 includes a proposal for a new MBTA Board to replace the Fiscal and Management Control Board (FMCB), which sunsets per state statute on June 30, 2020. Over the past five years, the FMCB has monitored the T's finances, management and operations – while increasing transparency at the MBTA. This budget proposes the creation of a new seven-member board to permanently replace the FMCB, which will include the Secretary of Transportation, a representative from the communities who contribute revenue to the MBTA via assessments, a rider, a safety expert, and other subject matter experts.

Addressing Climate Change

This budget continues the Baker-Polito Administration's commitments to addressing the impacts of climate change. It provides \$298 million for the Executive Office of Energy and Environmental Affairs – in part to help support resiliency, preparedness, and data collection efforts. These operating funds complement capital investments related to climate change, including funds in legislation signed by Governor Baker in 2018 to authorize over \$2.4 billion in capital allocations for investments in safeguarding residents, municipalities and businesses from the impacts of climate change, protecting environmental resources, and improving recreational opportunities. Additionally, the Administration continues to support local cities and towns through grant initiatives such as the Municipal Vulnerability Preparedness Program, which awards funding for municipalities to strengthen and improve their own infrastructure, and helps communities develop climate vulnerability assessments and resiliency plans.

Preventing and Treating Substance Abuse and Misuse

House 2 continues and extends efforts to address the opioid epidemic by proposing \$328.3 million – more funding than ever – to support prevention, intervention, and treatment efforts to reduce substance misuse and to promote recovery. The budget recommends \$169.1 million for Department of Public Health (DPH) services related to substance misuse, including \$158 million for substance use disorder treatment services, and \$74.8 million to expand MassHealth treatment services for individuals with addiction, including services for individuals with co-occurring mental health disorders, made available through a federal 1115 waiver. The budget also recommends \$26.1 million in funding to fulfill the requirements of the CARE Act to combat addiction within correctional facilities.

Health and Human Services

Since 2015, the Baker-Polito Administration has increased funding for DCF by over \$200 million and has introduced groundbreaking reforms to improve the protection of the Commonwealth's most vulnerable children. House 2 proposes a \$27.1 million increase above the FY20 budget for DCF, to a total of \$1.085 billion, maintaining the Administration's commitment to DCF front line social workers and to the children and families DCF supports.

The budget proposal includes \$6 million to support more adoptions and guardianships. As DCF seeks to keep caseloads down, the proposal will also include a \$9 million payroll increase for social workers and supervisors. The budget also includes \$2.1 million for the Office of the Child Advocate.

House 2 recommends \$10 million in funding for the Safe and Successful Youth Initiative, which operates in cities with the highest incidences of youth crime and has a record of positive impact on crime and victimization rates.

For the fourth consecutive year, the budget proposal fully funds the Turning 22 Program at the Department of Developmental Services (DDS) and other agencies, supporting a class of over 1,300 young adults and making good on the Administration's commitment to fully support a program that was underfunded for nearly three decades.

Addressing Sexual Assault and Domestic Violence

In April 2015, Governor Baker re-launched the Governor's Council to Address Sexual Assault and Domestic Violence and elevated the Council to the Governor's Office. Over the last five years, with Lieutenant Governor Polito as Chair, the Council has successfully worked to help individuals, children and families of the Commonwealth live a life free of sexual assault and domestic violence. The Administration is recommending \$83.9 million in House 2 to continue sexual assault and domestic violence prevention services, a \$3.6 million (4%) increase over the FY20 budget and nearly 30% increase from FY15.

The investment includes \$39.9 million in funding for DPH to carry out domestic violence and sexual assault prevention and survivor services, as well as emergency and transitional residential services for victims and their children. It also includes \$6 million to support statewide sexual assault nurse examiner programs and pediatric sexual assault nurse examiner programs, and \$1 million will fund a grant program focusing on promoting healthy relationships and preventing dating violence among youth. This program is amplified by the highly-regarded RESPECTfully public awareness campaign.

Municipal Partners

The Baker-Polito Administration has continued to work closely with local cities and towns to achieve the shared goals of promoting growth and development and meeting the needs of all residents. The FY21 budget recommends \$4 million in funding for Community Compact related programs, including best practices and regionalization and efficiency grants. Additionally, the budget includes \$4.8 million for the Public Safety Staffing Grant Program managed by the Executive Office of Public Safety and Security, as well as \$3 million for district local technical assistance.

The House 2 recommendation includes another increase in unrestricted general government aid (UGGA). This increase is equal to the 2.8% consensus projected growth rate for state tax revenue and provides an additional \$31.6 million to cities and towns throughout the Commonwealth, for a total UGGA investment of \$1.160 billion. Under the Baker-Polito Administration, total annual UGGA has increased by \$214.5 million (23%).

Modernizing Government Technology

The Commonwealth and its technology systems face increasingly complex cyber threats that seek to damage systems, obtain data and disrupt operations for agencies and users.

Working closely with other executive agencies and departments, along with local municipalities, the Executive Office of Technology Services and Security (EOTSS) has prioritized operating and capital improvements that enhance the Commonwealth's cybersecurity posture. EOTSS works to manage vulnerabilities to internal and external facing systems, and optimize business operations and data usage.

House 2 supports \$129.8 million in estimated spending by EOTSS to enable initiatives and investments such as deploying and utilizing new and secure devices across the Executive Branch, ensuring IT software and contract compliance, and carrying out the Information Governance Program. The budget also supports EOTSS managing a new cybersecurity operations center, which provides 24/7 monitoring capabilities of systems in order to identify and help mitigate potential risks, and implementing a security incident event management platform for threat analytics and monitoring.

Sales Tax Modernization

The budget proposes a two-phased effort to update and improve the current collection and remittance procedure for the state's sales tax. The current procedure is antiquated and allows retail vendors to hold sales tax for as many as 50 days after they are paid by a consumer.

The initial phase will consist of the Commonwealth's largest businesses remitting on a faster timeline. These businesses will be required to remit collections from the first three weeks of each month in the final week of that same month. Remittance for the final week and reconciliation of the monthly filing will continue to occur in the following month. This phase will only impact the largest 10% of businesses, which account for 90% of sales tax revenue.

In phase 2, which will begin in 2023, all retailers and credit card processors will capture sales tax from electronic transactions at the moment of purchase and remit daily. Retailers already currently file and remit collections electronically and these changes will further enhance and modernize collections.

Additionally, House 2 establishes civil penalties for the sale and installation of automated sales suppression devices or "zappers," which are software programs that falsify electronic records for purposes of tax evasion.

THE BAKER-POLITO ADMINISTRATION'S FY21 BUDGET HIGHLIGHTS BY NUMBERS

Education

- Fully funds the first year of the Student Opportunity Act with \$355 million in new spending
- Includes \$303.5 million increase (6%) to Chapter 70 School aid, total of \$5.480 billion, reflecting:
 - Broadened definition of low income, and rates that reflect the higher resource needs of low income students, especially in districts with a high concentration of poverty
 - Increases to support costs of educating English language learners, teacher benefits, special education, and guidance and psychological services. All districts get at least \$30/student more than in FY20
 - Other spending related to the Student Opportunity Act includes:

- \$23.2 million (20%) in new funding for charter school tuition reimbursement, for a total investment of \$138.2 million
- \$17.3 million (5%) in additional support for special education circuit breaker reimbursement for cities and towns, for a total investment of \$362.5 million
- \$12.6 million for Targeted Assistance to expand existing commitments to close achievement gaps in low-performing schools (same as FY20)
- \$10 million for the new Twenty-First Century Education Trust Fund, established under the Student Opportunity Act, and based on a model included in the Governor's FY20 House 1 budget, which will help fund best practices to close achievement gaps
- \$1 million for data analysis and investments to support strategic data sharing and data use in future decision making regarding public education

Early Education

- \$55.1 million (8%) increase above FY20 spending for the Department of Early Education, total investment of \$761.9 million
- \$20.4 million in new funding to fund an increase of 150 Department of Children and Families child care vouchers per month
- \$19.3 million increase in Department of Transitional Assistance child care vouchers
- \$10 million increase in rates paid to early education and child care providers
- Additional \$10 million to support future revisions to the sliding parent fee schedule and enable reductions in parent contributions

Higher Education

- \$1.316 billion total for Department of Higher Education, University of Massachusetts, and state universities and community colleges, representing a \$33.2 million (3%) increase over the FY20 budget
- \$5 million for a new needs-based scholarship program for federal Pell Grant eligible students who participate in proven college success programs at public universities to help to fully cover unmet tuition and fee costs
- \$2.3 million above the FY20 budget to provide an additional 1,600 high school students access to early college and career success through full reimbursement of eligible college course credits
- \$1.3 million increase above the FY20 budget for financial aid and fee waiver programs at college campuses for students currently or previously in the custody and care of DCF, or who have been adopted through DCF

Transportation

- \$135 million in new support for a total of \$1.376 billion in total operating budget transfers
- Includes \$200 million total operating transfer – up from \$127 million in FY20, with the increased transfer supported by a \$1 TNC per-ride assessment
- Proposes governance structure once the Fiscal Management Control Board, as currently established, sunsets at the end of June, 2020
- \$423.5 million for MassDOT, an increase of \$77.6 million over the FY20 budget
- \$8.6 million increase for RMV-related initiatives for additional employees focusing on safety and improving operations
- Supports key recommendations in MassDOT's congestion report, including addressing transportation operations and congestion, advancing studies on managed lanes and other

congestion-relief mechanisms and supporting grant funding to municipalities and employers who work to provide better commute options

- \$94 million in total funding for RTAs
 - \$90.5 million in base funding, consistent with the recommendations of the RTA Task Force
 - \$3.5 million in innovation grants for RTAs that best demonstrate a commitment to service quality and environmental sustainability

Health and Human Services

- \$23.824 billion for the Executive Office of Health and Human Services (EOHHS) excluding supplemental payments to hospitals, a \$335.4 million (1%) increase over FY20 spending
- \$160 million for Chapter 257 human service provider rate increases under a new rate methodology that better reflects the cost of benchmarking direct care and clinical staff wages

Substance Misuse

- \$328.3 million total to support prevention, intervention, treatment, and recovery efforts to reduce substance misuse and to promote recovery
- \$169.1 million for the Department of Public Health (DPH) services related to substance misuse, including \$158 million for substance use disorder treatment services.
- \$74.8 million to expand MassHealth treatment services for individuals with addiction

Vaping

- \$4 million in essential resources to support implementation of the new Tobacco Control Law, including funding for local boards of health to conduct inspections and retail surveillance
- House 2 also recommends expanding the mandate of the Illegal Tobacco Task Force to include illegal vaping sales

Behavioral Health

- \$910.7 million for the Department of Mental Health (DMH), an \$8.7 million increase above the FY20 budget
- \$91 million for the Adult Community Clinical Services (ACCS) Program which provides treatment and support services to 10,100 DMH clients annually
- \$3 million for housing supports for 290 DMH clients
- \$4.5 million to fund DMH's public safety partnerships to improve our first responders' ability to recognize signs of mental illness and to adopt strategies to de-escalate those situations

Department of Children and Families

- \$27.1 million increase above FY20, for total of \$1.085 billion, marking a total of \$200 million increase in funding for DCF since 2015
 - \$9 million to support progress towards 15:1 caseload
 - \$6 million for growth and rates of adoption and guardianships
- \$2.1 million for the Office of the Child Advocate

MassHealth

- \$16.772 billion gross, \$6.740 billion net funding for MassHealth, a growth of 0.6% gross (0.5% net) over estimated FY20 spending

- This growth rate incorporates the conclusion of the temporary, enhanced Employer Medical Assistance Contribution which was completed at the end of calendar year 2019, per statute

Caring for our Seniors

- Fully annualizes cost of the Medicare Savings Program, which assists with out-of-pocket health care spending and helps to reduce drug costs for seniors
- \$574.8 million for the Executive Office of Elder Affairs
- \$16.5 million in support of grants to Local Councils on Aging
- \$9.7 million above the FY20 budget to support consumer growth in the state Home Care Program
- \$4.7 million increase for the Community Choices Program

Economic Development and Workforce Development

- \$8.4 million in funding to transform 15 vocational high schools into Career Technical Institutes adding two shifts per day
 - Will train 20,000 new workers over four years in skilled trades and technical fields including plumbing, HVAC, manufacturing, and robotics
- \$4.0 million for the Small Business Technical Assistance Grant Program, a \$900,000 (+29%) increase above FY20 spending for entrepreneurs and small businesses, especially those owned by women, immigrants, veterans, and people of color
- \$2.5 million for the Advanced Manufacturing Training Program, which connects businesses with unemployed and underemployed individuals including veterans
- \$250,000 for a reentry pilot program to provide individuals who are about to exit correctional facilities with necessary job-search skills

Energy and Environmental Affairs

- \$1.1 million in new funding for PFAS-dedicated personnel at the Department of Environmental Protection
- \$1.2 million in additional funding at DPH will enable proactive inspections and testing of bottled water and food supplies for PFAS contamination
- \$5 million for Eastern Equine Encephalitis prevention and response
- \$5 million for the Pipeline Safety Division at the Department of Public Safety
- Proposal that would increase the safety of gas pipeline infrastructure by requiring gas companies to address aging or leaking natural gas infrastructure and increasing penalties for violations of safety regulations
- \$103.5 million for the Department of Conservation and Recreation
- \$31.9 million in funding for the Department of Fish and Game
- \$4.5 million for the Department of Energy Resources

Public Safety

- \$757.8 million for the Department of Correction (DOC) including \$207.3 million for medical and mental health contract costs
- A DOC officer class is expected to conclude in June 2020, followed by another class in FY21
- \$664.9 million for the fourteen Sheriffs' Departments in the Commonwealth
- \$413.1 million for State Police public safety and crime lab operations

- Support for the 85th State Police Recruit Training Troop (RTT) class of 240 expected recruits, which started in January 2020
- The budget assumes the 86th RTT class will graduate in FY21
- \$62.9 million to continue funding for the clinical contract at Bridgewater State Hospital
- \$31.3 million to support the Department of Fire Services, including \$3.6 million for the newest facility in Bridgewater, which offers recruit classes and specialized trainings
- \$11 million in funding for the Shannon Grant program to fund anti-gang and youth violence prevention efforts
- \$10.4 million to fully fund tuition and fee waivers for National Guard members
- \$1 million for the Nonprofit Security Grant Program which provides support for security enhancements to nonprofit organizations, including faith-based organizations

Housing and Homelessness

- \$184.4 million to fund the Emergency Assistance (EA) family shelter system – which will be repurchased for the first time in a decade
- \$120.0 million for the Mass. Rental Voucher Program, including on and off budget sources, a \$12.5 million (12%) increase above FY20 spending to support 9,427 vouchers
- \$72 million in funding for local housing authorities
- \$27.2 million for the HomeBASE household assistance initiative, an increase of \$1.6 million (6.2%) over FY20 spending
- \$7.5 million for the DMH rental subsidy program for over 1,400 families and individuals

To access the Governor's filing letter, budget message, and specific account information click [here](#).

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